

Electronically Recorded

Tarrant County Texas

Official Public Records

2009 Apr 02 11:23 AM

Fee: \$ 32.00

D209087278

NOTICE OF C [Signature Redacted] S; IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER ON YOUR DRIVER'S LICENSE NUMBER.

OIL AND GAS LEASE

THIS AGREEMENT made effective as of this 5th day of August 2008, between Linda L. Dalton as Lessor, whose address is: 2109 Cains Ln, Mansfield, Texas 76063 and Edge Lease Acquisition Company, Inc., a Texas corporation c/o Edge Resources, L.L.C., Lessee, whose address is 512 Main Street Suite 301, Fort Worth, Texas 76102.

WITNESSETH:

1. Lessor in consideration of ten dollars and other valuable consideration, Ten Dollars and Other Good and Valuable Consideration (\$10.00 & OGVC), in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil or gas, and to produce, save, take care of, treat, transport and own oil and gas, all of the interest of Lessor in the following described land in Tarrant County, Texas (the "leased premises"), to-wit:

Being 3.7 acres, more or less, out of the H. McGehee Survey, Abstract 998, Tarrant County, Texas and being more particularly described as 2.0 acres, more or less, in the H. McGehee Survey, Abstract 998, described in the deed dated July 8, 1987, Volume 9001, Page 465, Deed Records, Tarrant County, Texas and being 1.7 acres, more or less, described as Lot 4, Block 1, Pleasant Acres addition, an Addition to the city of Mansfield, Tarrant County, Texas, according to the plat thereof recorded in Cabinet A, Slide 1445, Plat Records, Tarrant County, Texas.

The leased premises shall include all of Lessor's interest in all strips and gores, streets, easements, highways, rights of way and alleyways contained in the above-described property and adjacent thereto. This lease covers all of the land described above, including any interests therein that Lessor has the right or power to lease, and, in addition, it covers, and there is hereby granted, leased and let, upon the same terms and conditions as herein set forth, all lands now or hereafter owned or claimed by Lessor, adjacent, or contiguous to the land described above. Lessor agrees to execute at Lessee's request any additional or supplemental instruments reasonably necessary for a more complete or accurate description of the leased premises. In the event Lessor owns any additional acreage than that for which bonus was originally paid, Lessee shall pay additional bonus at a rate per acre not less than the rate per acre on which bonus was originally paid when this Lease was acquired.

2. This is a paid up lease and subject to other provisions herein contained, this lease shall be for a term of two (2) years from this date (called "primary term"), and as long thereafter as oil and gas is produced from said land or land with which said land is pooled hereunder.

3. As royalty, Lessee covenants and agrees to pay Lessor as follows:

A. On Oil: To deliver free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected, 25% of all oil and other liquid hydrocarbons (recovered or separated on the leased premises) produced and saved from the leased premises or lands pooled therewith; or, at the Lessor's option, which may be exercised from time to time, Lessee shall pay to Lessor the same percentage of the market value at the well for such oil and other liquid hydrocarbons of like grade and gravity prevailing in the area on the day such oil and other hydrocarbons are run from the lease stock tanks in the field, which means the general area in which the land covered by this Lease is located; provided however, there shall be no deduction from the value of Lessor's royalty by reason of any processing, treatment, trucking, transportation or other cost to market such oil and other liquid hydrocarbons.

B. On Gas:

i. On gas produced from the leased premises or lands pooled therewith which is processed in a processing plant in which Lessee or any parent or subsidiary of Lessee has a direct or indirect interest, Lessor shall receive the higher of a) 25% of the market value of such gas at the inlet to the processing plant, or b) 25% of the market value of all processed liquids saved from said gas at the plant, plus 25% of the market value of all residue gas at the point of sale, use or other disposition.

ii. On gas produced from the leased premises or lands pooled therewith, which is processed in facilities other than a processing plant in which Lessee or any parent or subsidiary of Lessee has a direct or indirect interest, Lessor shall receive 25% of the market value at the plant of all processed liquids credited to the account of Lessee and attributable to such gas, plus 25% of the market value of all residue gas at the point of sale, use or other disposition.

iii. On all gas produced from the leased premises and sold by Lessee or used on or off the leased premises, but not including gas reinjected under a pressure maintenance program, and to which the preceding subparagraphs (i) and (ii) above do not apply, Lessor shall receive 25% of the market value at the point of sale, use or other disposition of all such gas. On any gas paid for but not taken pursuant to a gas contract containing a take-or-pay clause or similar provision, Lessor shall receive its proportionate share of such payment; provided, however, if such gas is subsequently taken, Lessor shall only receive its proportionate share of any payments made for make-up gas taken pursuant to such take-or-pay clause or similar provision.

C. The market value of all gas shall be determined at the specified location and by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of all royalty under this Lease shall never be less than the total proceeds received by Lessee in connection with the sale, use or other disposition of oil or gas produced or sold from the leased premises. If Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, the proportionate part of such reimbursement amount shall be added to the total proceeds received by Lessee for purposes of this subsection. If Lessee realizes proceeds of production after deduction for any expenses of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage or marketing, then the proportionate part of such deductions shall be added to the total proceeds received by Lessee for purposes of this subparagraph. Royalty shall be payable on oil, gas and other products produced from the leased premises and consumed by Lessee on the leased premises or lands pooled therewith, whether for compression, dehydration, fuel or other uses, but not including gas reinjected under a pressure maintenance program.

D. Notwithstanding anything to the contrary, it is agreed between the Lessor and Lessee that Lessee shall not charge Lessor, either directly or indirectly, any part of the costs or expenses of production, separation, gathering, dehydration, compression, transportation, trucking, processing, treatment, storage or marketing of the oil or gas produced from the leased premises, nor any part of the costs of construction, operation or depreciation of any plant or other facilities or equipment used in the handling of oil or gas produced from the leased premises. Provided however, Lessor's royalty shall be subject proportionately to any charges incurred by Lessee for compressing, treating, processing, gathering, transporting and marketing under Lessee's gas purchase contract with a nonaffiliated third party covering the sale of production from the lands included in this lease. Royalty shall be payable on oil, gas and other products produced from the leased premises and consumed by Lessee on the leased premises, whether for compression, dehydration, fuel or other uses, but not including gas reinjected under a pressure maintenance program.

D209087278

E. If the gas produced from the leased premises is sold by Lessee pursuant to an arms-length contract with a purchaser which is not an affiliate of Lessee, and the contract provides for (i) net proceeds to be paid to Lessee for the gas at the point of delivery, and (ii) a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold for purposes of this lease shall be the total proceeds received by Lessee in such sale, subject to the provisions of Subsection 3(C) or 3(D) above. "Affiliate" as herein used means (i) another corporation, joint venture, partnership, or other entity which owns more than ten percent (10%) of the outstanding voting securities or interest of Lessee or in which Lessee owns more than ten percent (10%) of the outstanding voting securities or interest; or (ii) another corporation, joint venture, partnership, or other entity in which, together with Lessee, more than ten percent (10%) of the outstanding voting securities or interest of both Lessee and such other corporation, joint venture, partnership, or other entity are owned or controlled by the same persons or group of persons.

F. If at the expiration of the primary term or at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, Lessee shall pay or tender, by check of Lessee, as royalty, a sum equal to twenty-five dollars (\$25.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this lease if the wells were producing, and may be deposited or paid directly to Lessor or their successors, which shall continue as the depositaries, regardless of changes in the ownership of shut-in royalty. If at any time that Lessee pays or tenders shut-in royalty, two or more parties are, or claim to be entitled to receive same, Lessee may, in lieu of any other method of payment herein provided, pay or tender shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownership thereof, as Lessee may elect. Any payment hereunder may be made by check of Lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair Lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or part, liability for payment hereunder shall rest exclusively on the then owners of this lease, severally as to acreage owned by each. Notwithstanding anything to the contrary herein, it is expressly understood and agreed that after the expiration of the primary term, Lessee shall not have the right to continue this Lease in force by payment of shut-in royalties for more than a single period of up to two (2) consecutive years. Should the shut-in period extend beyond the expiration of the primary term such shut-in provision will maintain the rights granted by this Lease only to the producing units and horizons of such gas well(s) as if they were producing gas in paying quantities pursuant to Section 2 above.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof as to oil and gas, or either of them, with any other land covered by this lease, and/or with any other land, lease in the immediate vicinity thereof to the extent hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises in compliance with the spacing rules of the Railroad Commission of Texas, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area of 640 acres each plus a tolerance of ten percent (10%) thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, for the drilling or operation of a well at a regular location or for obtaining maximum allowable from any well to be drilled drilling or already drilled, units thereafter created may conform substantially in size with those prescribed or permitted by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease or any portion thereof as above provided as to oil in an one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units which the lease is pool or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designing the pooled acreages as a pooled unit; and upon such recordation the unit shall be effective as to all portions hereto, their heirs, successors and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty, or other rights in land included in such unit. Lessee may at is elections exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations of drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this lease, regardless of whether such operations for drilling were commenced or such productions was secured before or after the executions of this instrument or the instruments designations the pooled unit, such operations shall be considered as operations for drilling on or productions of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease and in such event operations for drilling shall be deemed to have been commenced on said land within the meaning of paragraph 5 of this lease; and the entire acreage constituting such units, as to oil and gas, or either of them, as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as it the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of productions and each of them shall be entitled on production of oil and gas, or either of them from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit. Such allocations shall be on an acreage basis – that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit (or to each separate tract within the unit if this lease covers separate tracts within the unit) that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease (or in each such separate tract) and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though production were from such land. The production from an oil well will be considered as production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as productions from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any shut-in production royalty which may become payable under this lease. If this lease now or hereafter covers separate tracts, no pooling or unitization or royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as above provided. As used in this paragraph 4, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises. Notwithstanding anything to the contrary contained in this lease, the size of a pooled unit formed under paragraph 4 of this lease shall contain the number of acres of land that Lessee determines is reasonable under all the circumstances existing at the time the pooled unit is formed or amended, including without limitation, the location and availability of surface locations for drillsites.

5. If at the expiration of the primary term, oil, gas, or other mineral is not being produced on said land, or from the land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary term, the lease shall remain in force so long as operation on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas or other mineral is produced from said land, or from land pooled therewith. If, after the expiration of the primary term of this lease shall not terminate if Lessee commences operations from drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole of the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in or adjacent land and within 330 feet of and draining the leased premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.

6. Lessee shall have the right at any time during or after the expiration of the lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipelines below ordinary plow depth, and no well shall be drilled within six hundred (600) feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either party hereunder may be assigned in whole or part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U.S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or a portion thereof who commits such breach.

8. Lessee's obligations under this Lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including environmental regulations, setback requirements, restrictions on the drilling and production of wells, and the price of oil, gas and other substances covered hereby. To the extent any such laws, rules, regulations or orders are less restrictive than the terms of this Lease, this Lease shall control. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this Lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this Lease when drilling, production or other operations are so prevented, delayed or interrupted. The breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this lease nor cause a termination or revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. No obligation reasonably to develop the leased premises shall arise during the primary term. Should oil, gas or other mineral in paying quantities be discovered on said premises, then after the expiration of the primary term, Lessee shall develop the acreage retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities. If after the expiration of the primary term, Lessor considers that operations are not at anytime being conducted in compliance with this lease, Lessor shall notify Lessor shall notify Lessee in writing on the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument.

9. Lessor agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with right to enforce same and apply royalties accruing hereunder toward satisfying same. It is agreed that if this lease covers a less interest in the oil, gas, sulfur, or other minerals in all or any part of said land that the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Notwithstanding anything to the contrary in this lease, Lessee is hereby granted the right, as its option, either before or after production is established, to place any land covered by this lease in a co-operative with other land, lease or leases, for the exploration and development of all lands including in such co-operative, on such terms and conditions as Lessee may consider prudent. Any such co-operative formed by Lessee shall consist of such amount of acreage, configuration and number of wells, as Lessee shall determine at the exercise of Lessee's reasonable judgment, including Lessee's modification, rearrangement, enlargement, and reduction of such co-operative. If all or a portion of lands covered by this Lease, is included in a co-operative, the royalty shall be paid on a surface of acreage basis, that is on the basis that the number of acres covered by this lease that is included in the co-operative bears to the total number of acres in the co-operative.

See attached Exhibit "A" for addition provisions.

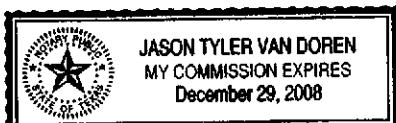
IN WITNESS WHEREOF, this instrument is effective on the date first above written.

Linda L. Dalton
Linda L. Dalton

ACKNOWLEDGMENT

STATE OF TEXAS §
COUNTY OF TARRANT §

This instrument was acknowledged before me on the 6th day of August, 2008 by Linda L. Dalton.



~~Notary Public, State of Texas~~

EXHIBIT "A" TO OIL AND GAS LEASE

Notwithstanding any of the provisions contained in the oil and gas lease to which this exhibit is attached, the following provisions shall apply. To the extent of any conflict, the provision of Exhibit "A" will control:

11. Drilling operations on a pooled unit or units allowed by the pooling provision contained in the printed portion of this Lease and approved by appropriate governmental authority shall be considered to be drilling operations effective to maintain this Lease in full force and effect only as to that portion of the lease premises included within the unit or units. Production from a well or wells located on any pooled unit or units shall be considered to be effective to maintain this Lease in force only as to that portion of the lease premises included within the unit or units. Upon the expiration of the primary term of this Lease, upon the expiration of any extension or renewal of the primary term, or after cessation of operations as provided herein, whichever occurs last, this Lease shall terminate as to all rights lying below one hundred feet (100') below either (1) the deepest depth drilled in any well drilled on the leased premises or on lands pooled therewith or (2) the stratigraphic equivalent of the base of the deepest formation producing or capable of producing in any well drilled on the leased premises or on lands pooled therewith, whichever is the deepest; provided, however, if Lessee is then engaged in operations on the leased premises or on lands pooled therewith, this Lease shall remain in full force and effect as to all depths so long as no more than ninety (90) days elapse between operations.
12. Initial bonus monies shall be paid to Lessor by check within thirty (30) days of Lessee's receipt of Lessor's executed lease. The first royalty payment shall be tendered to the Lessor within ninety (90) days after the end of the month the first production. If not, the unpaid royalties shall accrue interest at fifteen percent (15%) per annum. Thereafter, all royalties which are required to be paid hereunder to Lessor shall be due and payable in the following manner: Royalty on oil shall be due and payable on or before the end of the first calendar month following the month of production, and royalty on gas shall be due and payable on or before the end of the second calendar month following the month of production. Each royalty payment shall be accompanied by a check stub, schedule, summary or remittance advice identifying the Lease and showing the gross amount and disposition of all oil and gas produced. If any royalty with accrued interest is not tendered within one hundred eighty (180) days after the end of the month on which such royalty becomes due, the accrued interest rate shall be eighteen percent (18%) per annum retroactive to the time of production, but the interest rate shall never be in excess of the legal interest rate allowed by Texas Law so as to be deemed usurious.

If at the time payment of shut-in gas royalty is due, Lessee has received a title opinion containing title requirements which relate to such payment, then Lessee shall not be required to make such payment until such time as the title requirements have been satisfied. Lessee shall advise Lessor of any title problem, though, with a copy of the relevant portion of the opinion calling for curative work. Failure to secure a title option and present the title problem to the Lessor shall not be an excuse to delay the payment of royalties or prevent the accrued interest under this provision.
13. Lessee's right to maintain this Lease for a shut-in on a pooled unit solely by the payment of shut-in gas royalties shall be a recurring right that may be exercised from time to time. However, the right shall be limited to a period or periods not to exceed two (2) years in the aggregate after the expiration of the primary term. The Lessor's share of shut-in royalties shall be Twenty-Five Dollars (\$25.00) per net mineral acre. To receive credit for any shut-in months prepaid but not used during a year, the Lessee must give the Lessor written notice of the unused months within thirty (30) days after the end of the prepaid year. Any shut-in royalties tendered to the Lessor shall not be recouped from or credited against future payments made to the Lessor under the terms of the Lease.
14. **Lessee hereby releases and discharges Lessor and the owner of the surface estate, along with their officers, employees, partners, agents, contractors, subcontractors, guests and invitees, and their respective heirs, successors and assigns (collectively the "Lessor Parties"), of and from all and any actions and causes of action of every nature, or other harm, including environmental harm, for which recovery of damages is sought, including, but not limited to, all losses and expenses which are caused by the activities of Lessee, its officers, employees and agents arising out of, incidental to or resulting from, the operations of or for Lessee on or under the leased premises or at the drill site or operations site or that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Lease, or by any other negligent or strictly liable act or omission of Lessee. Further, Lessee hereby agrees to be liable for, exonerate, indemnify, defend and hold harmless the Lessor Parties against any and all claims, liabilities, losses, damages, actions, property damage, personal injury (including death), costs and expenses, or other harm for which recovery of damages is sought, under any theory including tort, contract, statute or strict liability, including attorney fees and other legal expenses, including those related to environmental hazards on or under the leased premises or at the drill site or operations site or in any way related to Lessee's failure to comply with any and all environmental laws; those arising from or in any way related to Lessee's operations or any other of Lessee's activities in, on or under the leased premises or at the drill site or operations site; those arising from Lessee's use of the surface or subsurface of the leased premises; and those that may arise out of or be occasioned by Lessee's breach of any of the terms or provisions of this Lease or any other act or omission of Lessee, its directors, officers, employees, partners, agents, contractors, subcontractors, guests, invitees and their respective successors and assigns. Each assignee of this Lease, or of an interest herein, agrees to be liable for, exonerate, indemnify, defend and hold harmless the Lessor Parties in the same manner provided above in connection with the activities of Lessee, its officers, employees and agents as described above. EXCEPT AS OTHERWISE EXPRESSLY LIMITED HEREIN, ALL OF THE INDEMNITY OBLIGATIONS AND/OR LIABILITIES ASSUMED UNDER THE TERMS OF THIS LEASE SHALL BE WITHOUT LIMITS AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF (EXCLUDING PRE-EXISTING CONDITIONS), STRICT LIABILITY OR THE NEGLIGENCE OF ANY PARTY OR PARTIES (INCLUDING THE NEGLIGENCE OF THE INDEMNIFIED PARTY), WHETHER SUCH NEGLIGENCE BE SOLE, JOINT, CONCURRENT, ACTIVE OR PASSIVE.**
15. Lessor makes no warranty of any kind with respect to title to the surface or mineral estate in the leased premises or any portion of or interest therein. All warranties that might arise by common law or by statute, including but not limited to Section 5.023 of the Texas Property Code (or its successor), are excluded. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the leased premises. Lessee assumes all risk of title failures. No other express implied warranties of title are given. To the extent any subordination agreement is required to effectuate the terms of this Lease, Lessee agrees, at its sole cost and expense, to obtain and secure any subordination agreements. Grantor shall have no liability or responsibility for obtaining any subordination agreement or for any failure or inability to obtain same.
16. The Lessor shall have no personal liability for the repayment of an overpayment of royalties. The Lessee may recoup an overpayment from the Lessor's share of future production from the well from which the overpayment occurred and brought to the Lessor's attention in writing within two (2) years of the overpayment.
17. All references in this lease to "other minerals" are hereby deleted. This Lease is intended to cover only oil and gas, but some other substances (including helium and sulphur) may be produced necessarily with and incidental to the production of oil or gas from the leased premises; and, in such event this Lease shall also cover all such other substances so produced. On all such substances so produced under and by virtue of the terms of this Lease, Lessor shall receive a royalty of 25% of all such substances so produced and saved, same to be delivered to Lessor, free of all costs; or, at Lessor's election, Lessor's 25% of such

substances shall be sold by Lessee with Lessee's portion of such substances and at the same profit realized by Lessee for its portion of such substances.

18. Notwithstanding anything to the contrary in this Lease, Lessee shall not enter upon the surface of, cross over, place any structure or building upon or conduct any operations (including but not limited to drilling, roads, drilling pads, pipelines, production equipment, flowlines, tanks and geophysical/seismic operations) on the leased premises or within three hundred feet (300') of the Leased premises without the express written consent of Lessor. Lessee shall only develop the leased premises by pooling, as provided herein, or by directional or horizontal drilling commenced from a surface location on other lands. It is understood and agreed that the bore of a well drilled for oil and gas purposes may cross or be bottomed under the leased premises if such bore is at least 1000 feet below the surface. Lessee shall make all reasonable efforts to comply with the Gas Drilling Ordinances of the City of Mansfield limiting use to commercially designated routes and not to use residential or neighborhood streets or thoroughfares in developing the leased premises, any lands pooled therewith or otherwise. Lessee shall at all times maintain their trucks and other equipment in an appropriate state of cleanliness. Any trucks, vehicles and other equipment accessing any roadways, streets or thoroughfares in or about the leased premises or any access point for same shall ensure such vehicles or equipment shall have any mud or other substances removed so as not to allow such mud or substances to accumulate on the roadways, streets or thoroughfares.
19. Noise levels associated with Lessee's operations related to the drilling, completion, and reworking of wells shall be kept to a reasonable minimum, taking into consideration reasonably available equipment and technology in the oil and gas industry, the level and nature of development and surface use elsewhere in the vicinity of Lessee's drill sites and the fact lessee's operations are being conducted in or near an urban residential area. If Lessee utilizes any non-electric-powered equipment in its operations, Lessee shall take reasonable steps to muffle the sound therefrom by installing a noise suppression muffler or like equipment. The lessee will not place any gas compression station within 300 feet from the boundaries of the Leased Premises.
20. Lessee shall not have or acquire any rights in and to the water from the leased premises. No surface water or underground fresh water from this Lease will be used for any reason, including water flood or pressure maintenance purposes. Lessee shall comply with all applicable rules in disposition (by reinjection or otherwise) of salt water, brine or other fluids utilized in or resulting from operations, and shall not cause or permit any such substances to damage or pollute the surface of the leased premises or any fresh water sands lying thereunder.
21. This Oil and Gas Lease shall only become effective upon the termination of the Oil and Gas Lease executed by, as Lessor, dated November 5, 2005, recorded in Instrument Number D206027023, of the Deed Records of Tarrant County, Texas, which covers the same lands that are the subject of this Lease. If that Oil and Gas Lease has not terminated within 1 year of the date of this Lease, this Top Lease shall terminate and be of no force and effect.

SIGNED FOR IDENTIFICATION



Linda L. Dalton